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Voluntary - Public

**Date:** 9/17/2009

**GAIN Report Number:**

## Angola

**Post:** Pretoria

### Agricultural Economy and Policy

#### Report Categories:

Country Strategy Statement

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#### Report Highlights:

Angola's untapped agricultural potential presents an opportunity to improve food security in Africa as well as investment and trade opportunities for U.S. agribusiness. This report looks at the economic and political developments impacting these opportunities.

#### General Information:

##### General political situation and trends

Angola is a multiparty republic led by the president and the prime minister. The unicameral National Assembly has held office since September 1992. The MPLA will take 191 of the 220 National Assembly seats whose members are elected to four year terms. As the results of the 2008 parliamentary elections indicate, there are no hopes for a strong opposition in the next Angolan legislature. MPLA's victory gives the party the two-thirds majority in parliament needed to change the Constitution and entrench its dominance of the country's politics. The current president, Jose

Eduardo DOS SANTOS has served since September 21, 1979.

### **Macroeconomic situation and trends**

The current economic situation, particularly the oil price has had an impact on Angola. This crisis also created opportunities and indicated paths for a more sustainable economic growth in the future and the government has shown clear signs of understanding these challenges and taking some appropriate steps in that general direction.

Recent World Bank analysis included the tight fiscal and monetary policies for 2009 and its January macro-brief pointed to a real contraction of the economy. At that time, under those specific conditions, an expected solid real growth rate of about 10 percent for the non-oil sector would result in an overall contraction of about 3 percent in 2009. During this period there were divergences among institutions and analysts on both the sign and magnitude of real GDP growth rate for 2009. Some were forecasting solid positive growth while most expected a real contraction. However, all agreed that nominal GDP, in dollar terms, would contract due to the striking drop in oil prices. The nominal contraction means lower export revenues to finance needed imports and the signs were for a very difficult year ahead. Since the January macro-brief, some assumptions have changed; the most important, the magnitude of the cuts in oil production for 2009.

The impact of the global crisis was felt immediately in the trade balance as export revenues dropped dramatically and imports, much less elastic in the short run as Angola's consumption has a large share of imports, remained at high levels. Additionally, the historically negative service account contributed to the deficit in the current account, which, in the absence of higher inflows in the capital account, would be financed by international reserves. The decline in the international reserves, associated with the general apprehension with further decline of oil prices, generated a certain degree of uncertainty in the markets which, seeking protection resulted in strong demand for dollars. The Central Bank (BNA – Banco Nacional de Angola), was concerned with the inflationary impact of a nominal devaluation of the Kwanza, sold large quantities of dollars, further depleting the international reserves (from around 20 billion dollars in November 2008 to 12.5 billions in April 2009).

Angola's revised budget proposal forecasts a deficit of 756.3 billion Kwanzas, 68.5 percent higher than in the previous proposal, due especially to the very conservative price of oil resulting in a sharp decline in oil revenues. The composition of the financing changed dramatically. Originally, the government projected the deficit would be financed 27 percent domestically and 73 percent from external sources while the new proposal expects 67.5 percent coming from domestic sources (bonds) and 32.5 percent from external sources (credit lines).

Recent higher oil prices and increased production has helped the balance of payments and Angola's net international reserves increased in July for the first time since November 2008. Besides the improvements on the export side, imports are likely to decrease as it responds, with a lag, to the domestic economic slowdown.

### **Agriculture in the economy**

Angola's agricultural economy is built around a developing commercial agricultural sector. Fish processing, food processing, brewing, and tobacco production are the major industries. Angola's agricultural products include bananas, sugarcane, coffee, sisal, corn, cotton, manioc, tobacco, vegetables, plantains; livestock; forest products; and fisheries

products. Subsistence agriculture provides the main livelihood for most of the people, but half of the country's food must still be imported. Additionally, 85 percent of the labor force is engaged in agricultural production. It is worth noting that agriculture's contribution to the GDP is only about 10 percent. Angola's untapped agricultural potential and food demand offer significant and interesting opportunities for U.S. investors.

### **Domestic agricultural policy overview**

Growth of the agricultural economy, particularly the expansion of primary and processed agricultural products is a key component of Angola's agriculture policy. Capacity constraints, underinvestment, the legacy of the colonial era and other economic and political factors are a formidable challenge to the government's ability to rapidly improve the agriculture economy. Angola has established a \$350 million line of credit to improve and increase its agricultural production through an investment of \$200 million in capitol goods and \$150 million in consumable goods. This along with many private / public investment projects bode well for the reestablishment of Angola's agricultural production.

### **Agricultural trade environment**

Angola's energy, mineral and other natural resources allow it to run increasingly large trade surpluses. However its agriculture exports are the smallest level in its economy, on the other hand, its agriculture imports represent the largest imports.

Value of Total Trade in Million Dollars

	----- 2007 -----		----- 2008 -----	
	Imports	Exports	Imports	Exports
Angola	12,507	1,280	18,910	2,117

Value of Total Agricultural Trade in Million Dollars

	----- 2005 -----		----- 2006 -----	
	Imports	Exports	Imports	Exports
Angola	1,106	31	1,522	32

### **SPS and regulatory systems**

Angola's Ministry of Agriculture and Rural Development has primary responsibility for sanitary and phytosanitary issues and regulations. Angola generally adheres to scientific principles and accepted procedures for assessing trade risks to animal and plant health. However Angola's regulations prohibit the importation of all food and food products that contain GMOs.

### **Food Security**

Angola's climatic diversity provides conditions conducive for the production of a wide range of crops and prior to independence, the country was self-sufficient in all crops except wheat. It was a top commercial producer of coffee, sisal, palm oil, bananas, and sugarcane.

Angola has become a country dependant on large-scale importation of food (commercial imports of wheat and rice), and food aid donations (mostly in the form of maize and beans), and there is no exportation of agricultural products as a source of foreign exchange. As noted above, Angola rejects donations of maize that contain any trace of GMOs.

Angolan farmers produce a wide array of food and cash crops, albeit at low levels of output per hectare. Among cereals, maize, millet, sorghum and rice are the main crops. Cassava, Irish and sweet potatoes are the main roots and tubers. These crops comprise the basic food diet of the population. Legumes, notably the common and kidney bean as well as peanuts and soybeans, also make an important contribution to the diet and incomes of small farmers. Oil crops (palm oil and sunflower oil), vegetables and fruits and some coffee production are the main cash crops.

#### **USDA stakeholders**

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